



Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Accudyne Corporation

File: B-237987

Date: April 3, 1990

Lanny J. Davis, Esq., and Joseph S. Mahaley, Esq., Patton, Boggs, & Blow, for the protester.
Steven S. Diamond, Esq., and Justin M. Dempsey, Esq., Arnold & Porter, for the interested party, Bulova Systems & Instruments Corporation.
Jerry L. Dodd, Esq., for the interested party, Honeywell, Inc.
Judith A. Sukol, Esq., and Robert J. Panise, Esq., Department of the Army, for the agency.
David Ashen, Esq., and John M. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Where solicitation provided that offers would be evaluated for award "by adding the total price for all options to the total price for the basic requirement," contracting agency reasonably included in the evaluation the prices for option quantities of artillery fuzes that were not included in the basic requirement.
2. In calculating imputed rental evaluation factor to be added to offeror's price to account for rent-free use of government-furnished property, agency reasonably relied upon period of use entered by offeror in evaluation clause, rather than authorized period of use on delivery schedule, where solicitation provided for evaluation based on period entered by offeror and where offeror would be required to pay rent if its use exceeded entered period.
3. Where evaluation under technical evaluation criteria for proposed facilities and production approach was based on detailed information in proposal and in-plant survey, protester's disagreement with agency determination that awardee's approach was acceptable does not establish that the determination was unreasonable.

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4. Awardee's offer of base and option quantities is not subject to rejection as materially unbalanced where there is no showing that the offer is unbalanced or that the award will not result in lowest ultimate cost to government.

DECISION

Accudyne Corporation protests the U. S. Army Materiel Command's (AMC's) award of contracts to Honeywell, Inc., and Bulova Systems & Instruments Corporation, under request for proposals (RFP) No. DAAA21-89-R-0014, for M762 and M767 artillery electronic time fuzes. Accudyne contends that it would be the low offeror in line for award had proposal prices been properly evaluated.

We deny the protest.

The solicitation advised that the agency intended to award two fixed-price, incentive-type contracts to the two lowest-priced, technically-acceptable offerors in order to establish a competitive mobilization base for production of the fuzes. In addition to basic quantities of 76,000 and 85,000 M762 fuzes, Option II under the solicitation provided for purchase of additional, optional stepladder quantities of 100,000-150,000 M762 fuzes, 150,001-200,000 M762 fuzes, 200,001-250,000 M762 fuzes, 250,001-317,000 M762 fuzes, 10,000-40,000 M767 fuzes, and 40,001-61,000 M767 fuzes. The solicitation incorporated by reference Federal Acquisition Regulation (FAR) § 52.217-5, which provides that offers will be evaluated for purposes of award "by adding the total price for all options to the total price for the basic requirement"; as amended, the solicitation further specified that the agency would determine the low price by evaluating the extended prices for the basic requirements "plus that combination of Option II prices that result in the lowest prices to the U.S. Government." In addition, for purposes of equalizing the competitive advantage resulting from rent-free use of government-furnished property (GFP), proposed rent-free use of GFP would be evaluated by adding to the offer an imputed rental factor, calculated pursuant to FAR § 52.245-9.

Eleven proposals were received in response to the solicitation; AMC found eight of the proposals technically acceptable and requested the submission of best and final offers (BAFOs). After examining the prices for various combinations of the basic and option quantities, the contracting officer determined that the lowest cost to the government would result from awarding Honeywell a contract for the basic requirement of 85,000 M762 fuzes (plus options for a

possible additional 317,000 M762 fuzes and 61,000 M767 fuzes), and awarding Bulova a contract for the basic requirement of 76,000 M762 fuzes (plus options for a possible additional 317,000 M762 fuzes and 61,000 M767 fuzes). Honeywell's price for the basic requirement and option quantities included in its contract totaled \$34,804,308; the agency determined that \$19,369 should be added to this total, for evaluation purposes, as an imputed rental factor accounting for Honeywell's proposed use of GFP. Honeywell's resulting evaluated price of \$34,823,677 was \$1,778,435 lower than Accudyne's price of \$36,602,112. Bulova's price for the basic requirement of 76,000 M762 fuzes plus the option quantities included in its contract totaled \$34,794,409; the agency determined that \$22,115 should be added to this total for evaluation purposes as the imputed GFP rental factor. Bulova's resulting evaluated price of \$34,816,524 was \$1,128,946 lower than Accudyne's price of \$35,945,470.

Accudyne first contends that AMC improperly included the prices for the M767 option quantities in the evaluation. Accudyne interprets the language of the incorporated FAR § 52.217-5 clause, that prices would be evaluated "by adding the total price for all options to the total price for the basic requirement," as limiting the evaluation to the price for all options for the basic requirement. In other words, since the basic requirement here consisted only of M762 fuzes, Accudyne maintains that only the option quantities of the M762 fuze should be considered in the evaluation.

We disagree. When a dispute exists as to the actual meaning of a solicitation provision, we will resolve the matter by reading the solicitation as a whole and in a manner that gives effect to all provisions of the solicitation; to be reasonable, an interpretation must be consistent with such a reading. See Aerojet Ordnance Co., B-235178, July 19, 1989, 89-2 CPD ¶ 62. As discussed above, the solicitation here provided that the agency would award contracts for both the basic and the Option II quantities, the latter of which included option quantities of the M767 fuze, and that it would determine the low price by evaluating the price for the basic requirement and the most favorable "combination of Option II prices," that is, prices for the M762 and M767 option quantities. Likewise, the incorporated FAR § 52.217-5 clause by its terms mandates considering in the evaluation the "total price for all options." (Emphasis added.) We conclude that the RFP clearly provided for evaluation of the M767 option quantities; Accudyne's contrary interpretation is inconsistent with the RFP and therefore is unreasonable.

Accudyne next challenges the calculation of the imputed rental factor to be added to Honeywell's and Bulova's proposals to account for their proposed use of GFP. Accudyne notes that under one combination of basic and option quantities--the 76,000 unit basic requirement for M762 fuzes and the 10,000-40,000 unit M767 option--Bulova's price exclusive of the imputed rental factor was only \$85,557 lower than Accudyne's price for an equivalent quantity, while under another combination of basic and option quantities--the 85,000 unit basic requirement for M762 fuzes, the 250,001-317,000 unit M762 option and the 10,000-40,000 unit M767 option--Honeywell's price was only \$1,562,081 lower than Accudyne's for a similar quantity. Accudyne argues that, properly calculated, the imputed rental factor could total in excess of \$100,000 for Bulova and \$1.7 million for Honeywell, and therefore exceed the price differences between those proposals and Accudyne's proposal.

We find no merit to Accudyne's position. The solicitation generally provided for the imputed rental factor to be computed as follows: (acquisition cost) multiplied by (monthly rental rate) multiplied by (production period in months) multiplied by (pro rata share of the GFE allocable to this contract), divided by (the quantity of units to be procured), so as to yield a constant per unit evaluation factor. Accudyne's calculations resulting in a higher rental factor are incorrect in two respects. First, its formula uses a production period based on the maximum delivery schedule permitted under the contract, 38 months, rather than the 13 month period used by the agency; Accudyne's calculation increases the numerator and thus results in a higher evaluation factor.

However, the 38 month figure used by Accudyne is inconsistent with the solicitation. Clause M3(b) of the RFP provided that "the months that will be used for the purpose of this evaluation [of the imputed rental factor] will be the period computed in months set forth by the offeror: Months," with the contractor liable to pay rent for any use exceeding this period. Honeywell and Bulova entered 13 months in the space provided, and AMC evaluated their proposals on this basis. As this evaluation approach was consistent with the RFP, it was proper; by the same token, using 38 months as the production period would have been improper, since it would be contrary to the specific RFP terms. See NI Indus., Inc., B-218019, Apr. 2, 1985, 85-1 CPD ¶ 383.

Accudyne argues that the 13 month entries should not have been used in the evaluation because they were inconsistent

with Honeywell's request elsewhere for permission to use the GFP for 25 months and Bulova's request elsewhere to use the GFP for 38 months. Honeywell and Bulova, however, explain that a longer period of authorization was required to assure that the period of actual use would fall within the period of authorized use. In any case, even where a proposal requests a different period of authorization for use of GFE, the time period actually set forth by offerors in the relevant clause (here, M3(b)) is controlling where the solicitation indicates the evaluation will be based on that entry. NI Indus., Inc., B-218019, supra.

Accudyne's higher rental factor also is improperly inflated by the fact that the firm calculates the per unit factor by dividing the numerator by the basic requirement quantity but then, in determining the total evaluation factor, multiplies the per unit factor by the basic quantity plus all option quantities. We find no basis for using two different quantities in calculating the total rental factor. Under the formula set forth in the RFP, the numerator essentially represents the total rental factor. To obtain a per unit factor, the RFP provides for dividing the numerator by the quantity being procured; it follows that, to change the resulting per unit factor back into a total evaluation factor, the per unit factor should simply be multiplied by the same quantity previously divided into the numerator. By instead using a higher number in this second operation, Accudyne's approach results in a total factor greater than the product of the per unit factor multiplied by the total quantity, and therefore is incorrect.

Accudyne challenges the agency's calculation of the rental factor on other grounds but, in view of our findings above, we need not address these remaining objections; even if Accudyne were correct, the magnitude of the resulting corrections would not be sufficient to displace Honeywell or Bulova.

Accudyne also questions the evaluation of technical proposals and other aspects of the cost proposals. First, Accudyne maintains that the agency failed to consider Honeywell's proposed facility and approach to production, and the credibility of its proposed costs, which the RFP stated would be evaluated in determining acceptability. According to Accudyne, Honeywell significantly underestimated and misrepresented the amount of government-furnished factory space it would need in production and that the agency improperly relied on Honeywell's estimate.

An agency's technical proposal evaluation and cost realism analysis will be deemed proper unless shown to be unreasonable or inconsistent with the solicitation's evaluation scheme. See Bellsouth Gov't Sys. Inc., B-231822.3, Mar. 28, 1989, 89-1 CPD ¶ 313; Science Applications Int'l Corp., B-232548, B-232548.2, Jan. 23, 1989, 89-1 CPD ¶ 52. Accudyne has not made this showing.

Honeywell described in detail in its proposal the layout and organization of its proposed production line. The government's preaward survey team examined the government-owned facility Honeywell proposed to use and specifically found "all aspects of the plant facilities . . . adequate"; further, after reviewing Honeywell's proposed plan to modify the space, the team found that Honeywell possessed the technical capability to perform. Based on Honeywell's proposal and the in-plant survey, the contracting officer determined that Honeywell had proposed adequate production facilities and an acceptable technical approach. Although Accudyne and Bulova appear to have proposed more space for their production facilities, the agency maintains that each production line is unique and must, as was done here, be evaluated on the basis of its particular characteristics. We find this explanation rational, and conclude that the agency adequately reviewed Honeywell's proposed production line (the details of which are unknown to Accudyne), and thus properly found it to be acceptable. Accudyne's mere disagreement with the agency's judgment does not establish that the evaluation was unreasonable. See Unisys Corp., B-232634, Jan. 25, 1989, 89-1 CPD ¶ 75.

Accudyne alleges that AMC's evaluation of Bulova's proposal failed to take into consideration Bulova's probable place of performance. The protester speculates that Bulova, which acquired ownership of Hamilton Technology, Inc., another offeror, after submission of initial offers and prior to submission of BAFOs, in fact intends to perform at Hamilton facilities rather than at the Bulova plant listed in its proposal. According to the agency, however, Bulova has reaffirmed its intention to perform at the Bulova facility specified in its proposal and Bulova's proposal therefore was properly evaluated on this basis. Accudyne has furnished no evidence in support of its allegation, and its speculation provides no basis for questioning the evaluation in this regard. See Creative Sys. Electronics, Inc., B-235388.2, Aug. 24, 1989, 89-2 CPD ¶ 175.


Accudyne further alleges that Bulova's proposal should have been rejected for unbalanced pricing. The solicitation incorporated by reference FAR § 52.217-5(b), which provides that the government may reject an offer if it is materially

unbalanced as to prices for the basic requirement and the option quantities. Accudyne maintains that unbalancing is demonstrated by the fact that Bulova offered the same unit price for the 10,000-40,000 unit option quantity of M767 fuzes as it did for the 200,001-250,000 unit quantity of M762 fuzes. According to the protester, this demonstrates that Bulova must have failed to include in its M767 price testing and other developmental costs for the M767 fuze, and instead may have "front loaded" its offer by building these costs into its price for the basic (M762) requirement.

Bulova's proposal is not unbalanced. First, nothing in the record supports the premise of Accudyne's that the prices of the two quantities of fuzes should be markedly different. AMC reports that, in fact, no additional testing and development costs should be necessary for the M767 fuze; both fuzes "are nearly identical" with respect to work required of the contractor, both fuzes can be made on the same production line at the same time, and the costs for each should be "about the same." Furthermore, Bulova's pricing is similar to both Honeywell's and Accudyne's pricing; all three offerors appear to have included costs of initial production in their prices for the basic requirement and to have taken advantage of economies of scale in pricing the option quantities. Accudyne's unit price for the maximum stepladder option quantity of M762 fuzes is 64 percent of its price for the basic 85,000 unit quantity, while Honeywell's unit price for the higher option quantity is 59 percent and Bulova's unit price is 57 percent of their respective unit prices for the basic requirement.

An offer is materially unbalanced only where there is a reasonable doubt that award to the offeror will result in the lowest ultimate cost to the government. See Paccar Defense Sys., B-232530.2, Jan. 3, 1989, 89-1 CPD ¶ 1. No such doubt has been shown here. Although Bulova's and Honeywell's evaluated prices become low only upon exercise of the first option quantity, AMC reports that it expects to exercise the options. Accudyne has not alleged or shown otherwise. Robertson & Penn, Inc., B-234082, Apr. 10, 1989, 89-1 CPD ¶ 365.

The protest is denied.


for James F. Hinchman
General Counsel